



**COMMUNITY DEVELOPMENT COMMISSION
of the County of Los Angeles**

2 Coral Circle • Monterey Park, CA 91755
323.890.7001 • TTY: 323.838.7449 • www.lacdc.org



**Gloria Molina
Mark Ridley-Thomas
Zev Yaroslavsky
Don Knabe
Michael D. Antonovich**
Commissioners

Sean Rogan
Executive Director

May 22, 2012

Honorable Board of Supervisors
County of Los Angeles
383 Kenneth Hahn Hall of Administration
500 West Temple Street
Los Angeles, California 90012

Dear Supervisors:

**ADOPT RESOLUTION RELATED TO APPLICATION FEE FOR STATE ENTERPRISE
ZONE EMPLOYEE HIRING CREDIT VOUCHER
(DISTRICTS 1, 2) (3 VOTES)**

SUBJECT

This letter recommends adoption of a Resolution authorizing the Community Development Commission (Commission) to increase the existing fee associated with the acceptance of Enterprise Zone Hiring Tax Credit Voucher Applications for the East Los Angeles and Harbor Gateway Communities State Enterprise Zones (Enterprise Zones).

IT IS RECOMMENDED THAT YOUR BOARD, AFTER THE PUBLIC HEARING:

1. Adopt the attached Resolution, which will increase the fee associated with the submission of Enterprise Zone Employee Hiring Tax Credit Voucher Applications for the East Los Angeles and Harbor Gateway Communities State Enterprise Zones from the current amount of \$35 to the proposed amount of \$75, effective July 1, 2012.
2. Authorize the Executive Director of the Commission, or his designee, to increase or decrease the fee by up to 20 percent.
3. Find that adoption of the Resolution is not subject to the California Environmental Quality Act (CEQA) because the proposed activity will not have the potential for causing a significant effect on the environment.

ADOPTED

BOARD OF SUPERVISORS
COUNTY OF LOS ANGELES

2 June 26, 2012

Sachi A. Hamai
SACHI A. HAMAI
EXECUTIVE OFFICER

PURPOSE/JUSTIFICATION OF RECOMMENDED ACTION

The purpose of this action is to adopt the attached Resolution, which will allow the Commission to adjust its application fee for the Enterprise Zone Hiring Tax Credit Vouchers. The recommended action will result in a revenue increase, which will be used to fund the operational costs of the program.

FISCAL IMPACT/FINANCING

There is no impact on the County General Fund. The fees collected through the Enterprise Zone Program Hiring Credit Voucher Applications are used to offset the administrative costs of the program. The recommended action will result in approximately \$40,000 in additional revenue for Fiscal Year 2012-2013, which will be used to offset the costs of the program. These funds will be included in the Commission's proposed Fiscal Year 2012-2013 budget.

FACTS AND PROVISIONS/LEGAL REQUIREMENTS

The State Enterprise Zone program was developed by the California Legislature to provide targeted areas with a means to stimulate business growth and attract new companies, jobs and private investment. Businesses located in an Enterprise Zone are eligible for State tax incentives that can substantially reduce their cost of doing business. The Commission currently administers two active Enterprise Zones: East Los Angeles and Harbor Gateway Communities.

The East Los Angeles Enterprise Zone, encompassing all of unincorporated East Los Angeles, was awarded a 15-year designation effective January 11, 2008. This Enterprise Zone is a partnership between the County and City of Los Angeles.

The Harbor Gateway Communities Enterprise Zone, which includes all or parts of unincorporated Florence-Firestone, Walnut Park, Willowbrook, Rancho Dominguez, West Rancho Dominguez and West Carson, was awarded a 15-year designation effective May 1, 2012. This Enterprise Zone is a partnership between the County of Los Angeles and the Cities of Los Angeles and Huntington Park.

The Enterprise Zone benefits include the following: Employee Hiring Tax Credit, Sales or Use Tax Credit, Business Expense Deduction, Net Interest Deduction for Lenders and Net Operating Loss Carryover. Of these various credits, the Commission administers the Employee Hiring Tax Credit, which is the most utilized incentive by companies of all types and sizes. This tax credit allows a qualified business to reduce its State income tax by a percentage of wages paid to qualified employees over a five-year period, in an amount up to \$37,440 per employee.

Before a business can use this incentive, it must receive an Enterprise Zone Employee Hiring Tax Credit Voucher Certificate issued by the Commission. The Commission

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reviews each Employee Hiring Tax Credit Application and supporting documentation before issuing a Voucher Certificate. Required documentation review, marketing of the availability of tax credits, program administration and reporting are time-consuming tasks with no State-provided funding to oversee the program.

On August 16, 2004, the Governor signed Senate Bill 1097 into law, which authorized the State to collect \$10 for each Hiring Tax Credit Application issued by each Enterprise Zone. The State's 2010 budget increased the State's fee to \$15 per Application. These funds are used by the State to offset the State's staff costs associated with the administration of the Enterprise Zone Program.

Administrative fees collected by other Enterprise Zone jurisdictions throughout California range from \$15 to \$140, with the most common fee charged being \$75. The Commission currently collects a \$35 Enterprise Zone Hiring Tax Credit Application fee to offset the costs of administering the program at the local level.

The Commission published notice of the time and place of the public hearing at least 10 days before the hearing, as required by Government Code Sections 6062a and 66018.

ENVIRONMENTAL DOCUMENTATION

The increase in fees associated with the Enterprise Zone Program is not subject to the provisions of CEQA pursuant to State CEQA Guidelines 15060(c)(3) and 15378, because it is not defined as a project under CEQA and does not have the potential for causing a significant effect on the environment.

IMPACT ON CURRENT PROGRAM

Approval of these actions will allow the Commission to continue to provide timely delivery of business services and recapture administrative costs associated with the Enterprise Zone program.

Respectfully submitted,



SEAN ROGAN
Executive Director

Enclosure

SR:CC:ml

RESOLUTION NO. _____

A RESOLUTION OF THE BOARD OF SUPERVISORS OF THE COUNTY OF LOS ANGELES INCREASING THE ENTERPRISE ZONE HIRING TAX CREDIT APPLICATION FEE FOR THE EAST LOS ANGELES AND HARBOR GATEWAY COMMUNITIES ENTERPRISE ZONES

WHEREAS, the Community Development Commission (Commission) of the County of Los Angeles is authorized to administer the State Enterprise Zone Program for the County of Los Angeles; and

WHEREAS, the Commission accepts Enterprise Zone Hiring Tax Credit Voucher Applications from eligible businesses and issues approved Enterprise Zone Hiring Tax Credit Voucher Certificates; and

WHEREAS, the Commission collects an Enterprise Zone Hiring Tax Credit Voucher Application fee to offset administrative costs associated with the Enterprise Zones; and

WHEREAS, the Commission seeks to recover a greater portion of the true costs associated with administration of the Enterprise Zones; and

WHEREAS, the Commission published notice of the time and place of the May 22, 2012 public hearing at least 10 days before the hearing, as required by Government Code sections 6062a and 66018.

NOW THEREFORE BE IT RESOLVED by the Board of Supervisors of the County of Los Angeles:

1. The Executive Director of the Commission, or his designee, is authorized to increase the fee associated with the submission and acceptance of Enterprise Zone Employee Hiring Credit Voucher Applications from the current amount of \$35 to \$75, effective July 1, 2012.
2. The Executive Director of the Commission, or his designee, is authorized to increase or decrease the above fee by up to 20 percent.

APPROVED AND ADOPTED by the Board of Supervisors of the County of Los Angeles on this 26th day of June, 2012.

BOARD OF SUPERVISORS OF THE
COUNTY OF LOS ANGELES

By *Ben Yaroslavy*
Chairman, Board of Supervisors

APPROVED AS TO FORM:
JOHN F. KRATTLI
Acting County Counsel

By *Behnaz Jashak*
Deputy



ATTEST:
SACHI A. HAMAI
Executive Officer-Clerk of the
Board

By *Sachelle Amitherman*
Deputy